

Innovation, Competition, and Intellectual Property: Providing an Economic Framework

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Intellectual & Tangible Property Are Not Economically Equivalent

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| <ul style="list-style-type: none">• Social Benefits• Complementary Assets• Free-Rider Possibilities• R&D Risk | <ul style="list-style-type: none">• Breadth of Exclusion• Length of Exclusion• Risks of Follow-on Innovators |
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Implications of IP Protection on Innovation & Competition

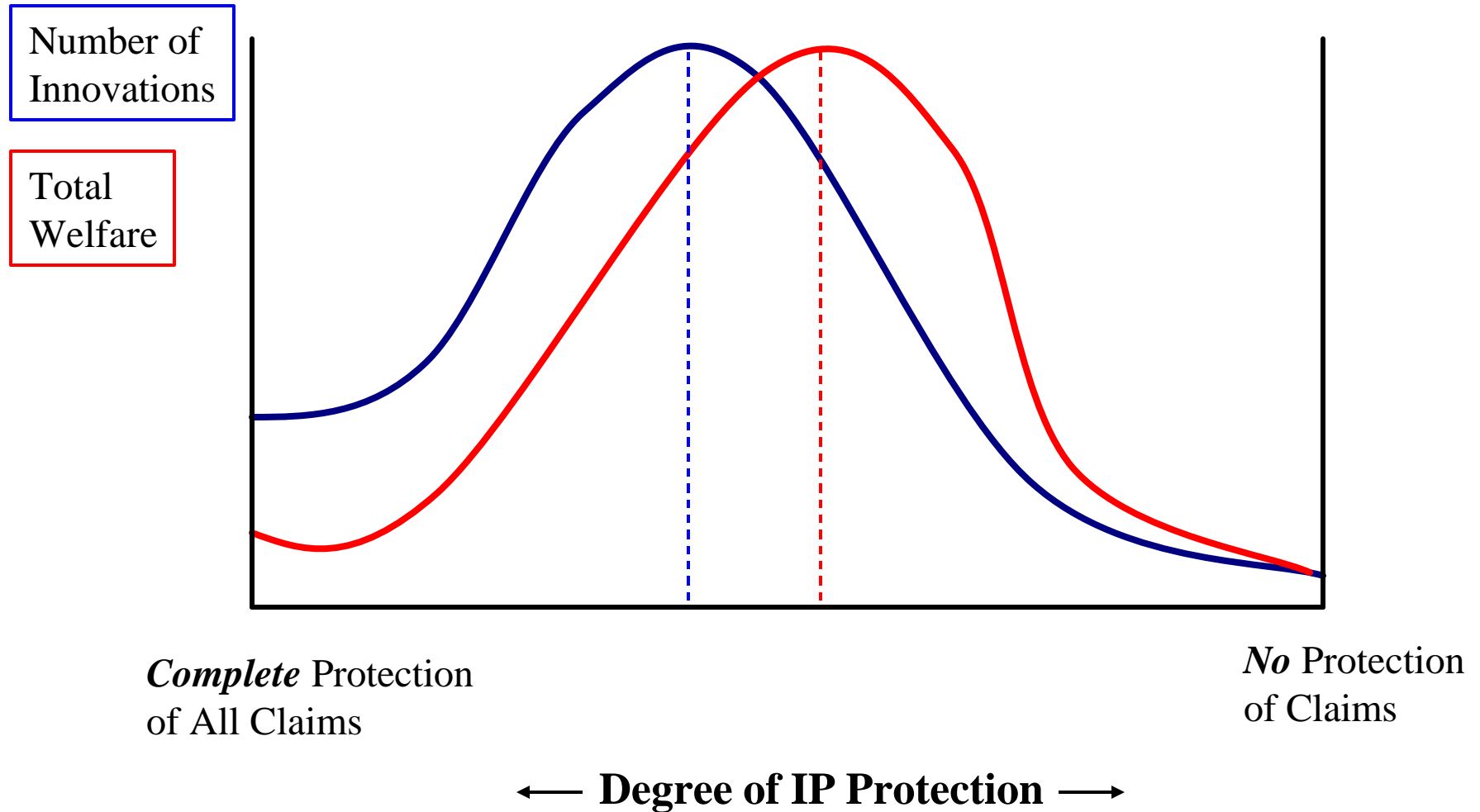
- Strong IP Protection

- Reduced Follow-on Innovations
- Less Price Competition
- Fewer Externalities for Society

- Weak IP Protection

- Free Rider Problem & Reduced Incentives to Innovate
- More Price Competition
- Fewer Externalities for Society

Optimal IP Protection



Tension Between Patent Protection & Antitrust

**Favor IP
Protection**

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**Favor
Antitrust**

Xerox

Nobelpharma

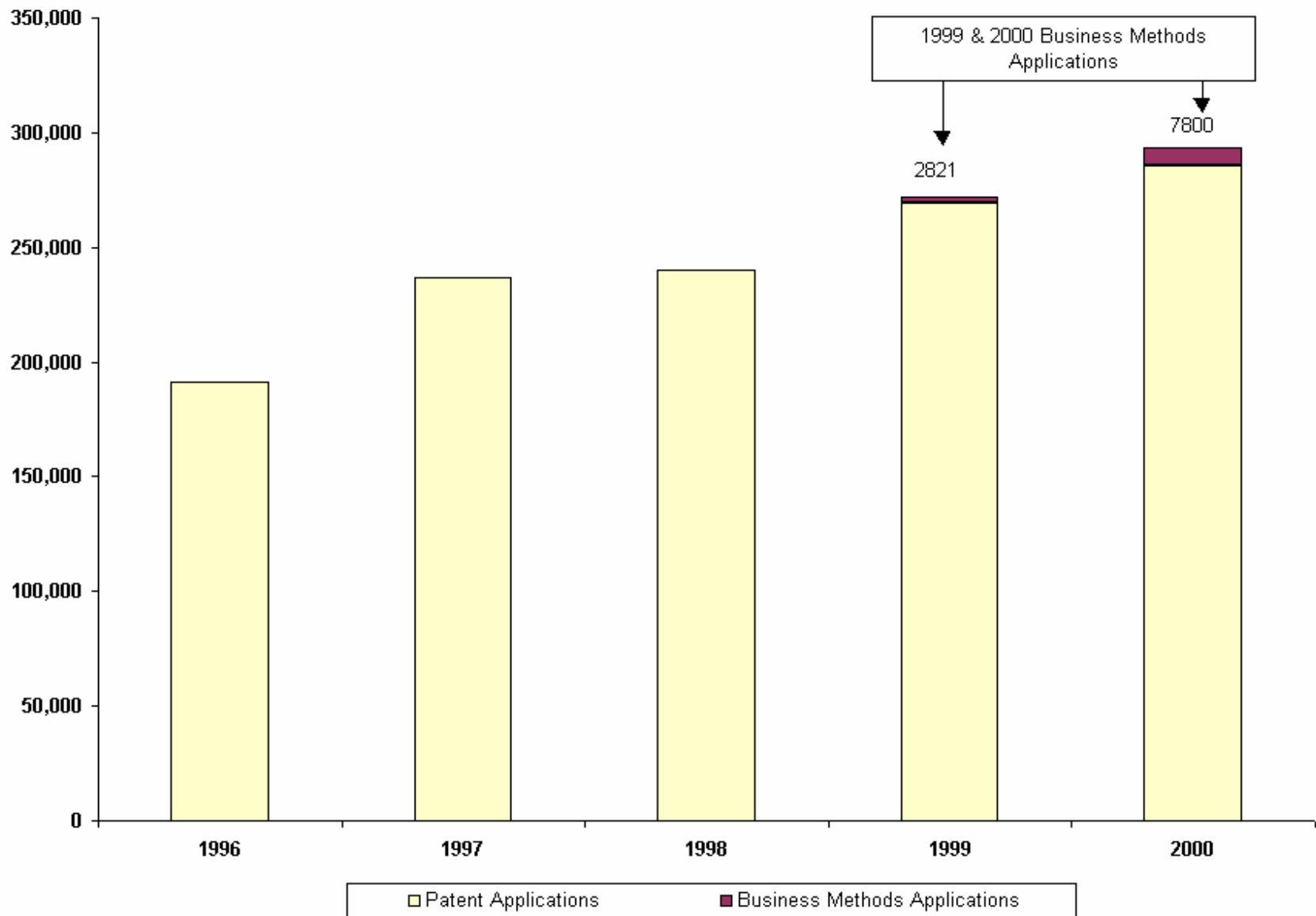
Kodak

*Intergraph v.
Intel*

Bard

*FTC Intel
Consents*

Patent Applications 1996-2000



Summary

- Recognize & study the implication of differences between IP & tangible property
- Systematically balance the IP protection & antitrust to maximize welfare
- Recognize the limits of the PTO process